

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 3 May 1978

CG NIDC 78/103C

NATIONAL SECURITY INFORMATION

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State Dept. review completed

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Approved For Release 2007/03/07 : CIA-RDP79T00975A030600010110-9

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National Intelligence Daily Cable for Wednesday, 3 May 1978

The NID Cable is for the purpose of informing senior US officials.

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AFGHANISTAN: Situation Report

25X1 [] Reporting from Afghanistan indicates that cities are returning to normal. Air and land communications with the outside world have been restored, and the debris caused by the fighting in Kabul on 27 and 28 April is being cleaned up. We have no evidence that any serious resistance to the pro-Soviet government, announced on 1 May, exists among the traditionally conservative population in remote tribal areas.

25X1 [] The degree of unity within the new government is unclear. Many in the cabinet are established members of the pro-Moscow Communist Party, but three are military officers whose political background--while presumably leftist--is less well known.

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25X1 [] Qadir and Aslam have now been incorporated into the new cabinet, the former as Minister of Defense, the latter as a vice prime minister and Minister of Communications. We do not know whether the two officers, as cabinet members, can make final decisions on government actions. Their position would appear to be strong, however, in view of the new regime's dependence on the armed forces for protection. []

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EGYPT: Sadat's Labor Day Speech

25X1 [] President Sadat's speech on Egypt's labor day yesterday contained little that will buy him a respite from domestic criticism or slow the deepening conviction among Egyptians that his peace initiative has failed. Sadat showed little eagerness for confrontation. He was generally restrained in dealing with domestic critics; he was caustic toward Arab opponents of his peace policy but left the door open to reconciliation. Sadat praised President Carter and said he was satisfied that the US commitment to a just settlement had not changed.

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[] Sadat dealt at length with the peace process but had little new to say. Replaying a recent theme, he portrayed his initiative as now belonging to the world and implicitly likened criticism of it to slandering the Egyptian people. He defended his initiative as having advanced the Arab cause by turning US and world opinion toward the Arabs.

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[] Although critical of posturing by Arab rejectionists and "steadfast front" governments, Sadat welcomed efforts now under way to restore Arab unity. He indicated willingness to resume diplomatic relations with Arab governments opposed to his peace policy and to support any carefully prepared Arab summit. Sadat gave no sign, however, that he is ready to pronounce his initiative a failure--a key Syrian demand.

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[] Sadat generally did not single out his domestic critics by name, although he did describe leftists as "agents" of the USSR, and rightists as a privileged few who want to take Egypt back to the situation before the 1952 revolution. He sought to relieve pressure from the People's Assembly on his ministers by accusing some legislators of engaging in slanderous attacks that obstruct and undermine the government.

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[] Sadat drew loud applause when he announced he was ordering Prime Minister Salim to make cabinet changes immediately. Sadat said the new ministers should be unafraid to make decisions and confront the Assembly. The heavily criticized Salim will apparently stay on for the moment. Salim announced after Sadat's speech that he expects a "limited reshuffle" will be implemented tomorrow or Friday.

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[] A recent article by a journalist close to Sadat in the authoritative weekly magazine *October* may give a hint of Sadat's view of his beleaguered Prime Minister. The article characterizes Salim as efficient, honest, and hardworking but as one nevertheless chosen by the people to be the scapegoat for the ills in Egyptian society. Salim's cabinet ministers, on the other hand, are described as unable to agree among themselves and without team spirit.

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INDIA: Singh's Resignation

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[] Indian Home Minister Charan Singh's resignation last week from two important committees in the Janata Party may

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affect the long-term viability of the faction-ridden ruling party. Singh, 75, holds the number-two slot in the cabinet and derives his political strength from the large landowning peasant community of north India.

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[] Singh's resignation--which he may yet withdraw--reflects a power struggle involving him and other top leaders in the party and government. Singh's prestige is on the line because of his backing for the controversial chief ministers of three troubled northern states; he had a major voice in picking the officials after elections last June.

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[] Since then, the three states have experienced a high level of violence between caste groups, student and labor unrest, and political infighting. The chief ministers' inability to restore calm has led to generally well-founded charges of incompetence and to demands for their resignation.

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[] In Haryana State, the Janata members of the state legislature are almost evenly divided into factions for and against the chief minister. Efforts by the central government to mediate have failed, and the dispute may be turned over to Janata's parliamentary membership for resolution.

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[] Singh accuses his rivals in Janata's senior ranks of encouraging dissension in the party's state units as a means of undermining him. His chief opponents are Defense Minister Jagivan Ram and Party President Chandra Shekhar. Singh probably hoped his unanticipated resignation from the committees--announced while he was recuperating in a Delhi hospital from heart trouble--would lead senior leaders to discipline the warring state factions and thus prevent the downfall of the three state governments.

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[] Singh may also believe that by resigning only from the committees, he can avoid resigning from the cabinet. This would embarrass the government and could lead a sizable bloc of his supporters to withdraw from the Janata Party.

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[] Prime Minister Desai--whose relations with Singh have been strained for some time, largely because of Singh's unceasing ambition to become Prime Minister--may make more serious efforts to reach an accommodation with Singh simply to keep the

Janata Party intact. Nonetheless, the differences among the ideologically diverse factions in Janata are substantial and are likely to result in further intraparty squabbling, which could interfere with the government's functioning and effectiveness. [REDACTED]

UN: North-South Dialogue

[REDACTED] //The UN Overview Committee, created to keep the North-South dialogue on a constructive path, opens its first substantive meeting in New York today. The committee will also act as the focal point for preparing a UN special session in 1980 on development problems. The developing countries want the special session to assess the progress made in UN forums

toward the establishment of a "new international economic order" and to increase efforts to promote development of the Third World.//

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[] //Prospects for a productive meeting appear favorable. The general atmosphere of recent meetings has been good, and both the industrialized and the developing countries want the committee to become a viable monitoring mechanism for the North-South dialogue.//

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[] //The committee's mandate is carefully worded to preclude its becoming another negotiating forum. The mandate instead gives it the power to facilitate agreement on issues of concern to developing countries that are being negotiated in other UN forums; to monitor these decisions; and to serve as an arena for exchanging views on global economic issues.//

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[] //The agenda for the first session includes a discussion of the global economy and of the transfer of resources to developing countries. Other subjects likely to be discussed include the recent UNCTAD Trade and Development Board meeting on the debt problems of developing countries and a report on the stalled negotiations to formulate a constitution for the UN Industrial Development Organization. The question of resuming the negotiations to create an UNCTAD common fund for commodities is certain to be raised, at least in informal consultations.//

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[] //An important procedural point that may complicate the discussion is the view of the so-called Group of 77 that the committee should convene "crisis" sessions to address deadlocked negotiations. The industrialized nations have resisted because they fear this could lead to an eventual negotiating role for the committee and permit it to interfere with the work of other bodies. []

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CHINA-VIETNAM: Refugee Problem

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[] *The recent movement into China of large numbers of Chinese fleeing Vietnam has added to strains between the two countries. Liao Cheng-chih, head of Peking's Overseas Chinese Affairs Office, declared publicly on 30 April that*

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Peking is "concerned" about the large numbers of Chinese from Vietnam who have begun to return and warned Hanoi that Peking is "closely following the developments."

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[] The refugee problem stems in part from Hanoi's decision on 24 March to abolish private trade in cities in southern Vietnam, a new phase in Hanoi's efforts to bring the southern economy into line with the socialized north. Ho Chi Minh City's Chinese section probably was hit hard by the decree, as a large number of the Chinese there were engaged in "capitalist" trade. The authorities probably also intended to eliminate the black market run by Chinese and Vietnamese speculators.

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[] Vietnamese authorities are reported to have made inventories of stock, which, after issuing receipts to shop owners, they carted away to government storehouses. Merchants, reportedly left with a minimum of rations, were later told they must report for "movement" to new economic zones.

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[] Vietnamese leaders undoubtedly were aware that a wide-ranging crackdown on "capitalists" would affect thousands of Chinese and create further frictions with China. They probably believed, however, that it would be difficult for Peking to complain about an "internal" Vietnamese policy.

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[] Chinese leaders have decided to maintain their policy of welcoming returning overseas Chinese. Liao stated that China has made "appropriate arrangements" for the returnees. []

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BRIEFS

USSR-China

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[] Soviet Deputy Foreign Minister Ilichev's return to Peking on 26 April was designed primarily to fix dates for the

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next round of Sino-Soviet border talks rather than to resume the negotiations. According to a Soviet Foreign Ministry official, Ilichev will return to Moscow in a week or two. This is apparently the first time in the nine years since the talks began that the Soviets and Chinese have held such preliminary discussions. [REDACTED]

Turkey

[REDACTED] Despite the government's fears, May Day rallies in Turkish cities did not lead to violence. There were no major incidents at the rally in Istanbul, which drew about 100,000 people. The peacefulness of the celebrations should help Prime Minister Ecevit fend off pressures from his advisers to impose new get-tough policies. [REDACTED]

Italy

[REDACTED] //The Lockheed payoff trial opened yesterday in Italy. Among the defendants are two former defense ministers, Christian Democrat Luigi Gui, and Social Democrat Mario Tanassi.//

[REDACTED] //No former prime ministers have been officially charged, but Italians widely assume that one was involved in the payoffs, which took place between 1968 and 1971. Several prominent Christian Democrats held the office during that period.//

[REDACTED]

Argentina

[REDACTED] The Argentine Government said yesterday that President Videla will leave the governing junta by 1 August, but will

remain as chief executive for a term ending in March 1981. Videla, who also is Commander in Chief of the Army, will retire from active military duty when the change occurs.

[] It is not clear just how much power the presidency will have once it is separated from the junta. The Navy has sought for some time to derail Videla's plan to strengthen the office. Yesterday's announcement may indicate that Videla and the Army have prevailed. []

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